

Press Release
Mukesh & Co. (MAC)
 July 02, 2019
Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs. 16.00 crore bank facilities of Mukesh & Co. The outlook is '**Stable**'.

The Bangalore-based Mukesh and Co (Mukesh) is a proprietorship firm promoted by Mr. Mukesh Tibrewala in 1997. The firm trades in iron and steel products, primarily TMT bars. The company procured 80 per cent of its raw material from BMM Ispat Limited and rest from the other suppliers in Bangalore. Mukesh mainly caters to the builders and construction companies along with other suppliers in and around Karnataka.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of MAC to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

Mukesh & Co was established in 1997 by Mr. Mukesh Tibrewala. The promoter has more than two decades of experience in the iron and steel industry. Over the years, the company has been able to establish healthy relationships with its key suppliers and customers.

Healthy financial risk profile

The healthy financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stands moderate at Rs.15.29 crore in FY2018 as compared to Rs.19.19 crore in FY2017. This deterioration in Networth mainly due to withdrawn of capital from the business amounting to Rs.5.52 crore in FY2018. The gearing of the company stands comfortable at 1.06 times as on March 31, 2018 when compared to 0.42 times as on March 31, 2017. The total debt of Rs.16.18 crore in FY2018 is consist of short term debt of Rs.11.20 crore and unsecured loan of Rs.4.98 crore from promoters. Interest coverage ratio (ICR) is comfortable and stands at 4.80 times in FY2018 as against 15.38 times in FY 2017. The debt service coverage ratio also stands comfortable at 4.80 times in FY2018 as against of 15.38 times in FY2017. Total outside liability against tangible net worth stands moderate at 1.70 times in FY2018 as compared to 0.79 times in previous year.

Efficient working capital management

The working capital management of the company is marked by gross current asset (GCA) days of 86 in FY2018 as compared to 65 days in the previous year. The inventory days stand comfortable at 4 days in FY2018 and 7 days in FY2017. The collection days moderate at 82 and 53 days respectively in FY2018 and FY2017. Further, the working capital limit in the company remains utilised comfortably at 60 percent during the last 6 months period ended May 2019.

Weaknesses

Presence Highly competitive and fragmented industry

The steel products trading industry is a highly fragmented industry and there is large number of organized and unorganized players which has led to high competition in the industry. The company faces competition from few large players as well as numerous players in the unorganized segment. Also on account of its trading nature of business, the entry barriers are low, leading to stiff competition for the company.

Liquidity Position

The company has moderate liquidity marked by healthy net cash accruals of Rs.6.02 crore as compared to no major debt repayment obligation. The working capital of the company is well managed which marked by comfortable gross current asset days of 86 in FY2018. This has also led to average reliance on working capital borrowings, the working capital limit in the company remains utilised at 60 percent during the last 6 months period ended May 2019.

Outlook: Stable

Acuite believes the outlook on MAC rated facilities will remain stable over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of sustenance of revenue growth while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	161.25	164.52	133.41
EBITDA	Rs. Cr.	7.56	6.61	6.11
PAT	Rs. Cr.	5.94	6.18	5.34
EBITDA Margin	(%)	4.69	4.02	4.58
PAT Margin	(%)	3.68	3.75	4.00
ROCE	(%)	25.61	27.04	57.40
Total Debt/Tangible Net Worth	Times	1.06	0.42	0.42
PBDIT/Interest	Times	4.80	15.38	7.30
Total Debt/PBDIT	Times	2.13	1.22	1.03
Gross Current Assets (Days)	Days	86	65	61

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
12-Apr-2018	Cash Credit	Long Term	12.50	ACUITE BBB/Stable (Upgrade)
	Proposed Bank Guarantee	Short Term	3.50	ACUITE A3+ (Upgrade)
11-Apr-2017	Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Assigned)
	Proposed Cash Credit	Long Term	5.00	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	3.00	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE BBB/Stable (Reaffirmed)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A3+ (Reaffirmed)

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About Acuité Ratings & Research:

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